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TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE ENERGY AND TECHNOLOGY COMMITTEE
MARCH 7, 2008

I appreciate the opportunity to support House Bill 5783, An Act Concerning Electricity Market Incentive Rebates.

This proposal allows Connecticut consumers to benefit from low-cost electricity produced by generators in our state. Under this legislation, the Department of Public Utility Control establishes a cost of electricity service rate for Connecticut nuclear and coal-fired power plants that ensures a reasonable rate of return for plant owners. The power plants can either enter into a long-term contract with the utilities to sell electricity to Connecticut consumers on the standard rate reflecting cost of service, or pay a market incentive recovery charge to the DPUC, which shall be returned to consumers as credits on their electricity bills.

Connecticut electricity rates are the highest in the continental United States -- double the national average and twice what they were four years ago.

Our currently flawed system is attributable to the Federal Energy Regulatory Commission (FERC) and New England ISO, the regional electricity planning and implementation organization operated and funded by the power generators. Their abysmally misguided policies have enabled commodities dealers and speculators to control our electricity supplies as they commonly do to heating oil and gasoline. Consumers, including our electric utilities, no longer purchase all their electricity directly from power plant operators. Rather, investment firms contract with the power producers and resell the power -- at a mark-up for their profit -- to consumers.

Federal and industry policies have been a cataclysmic failure. As an example, Connecticut's nuclear and coal power plants -- low cost generators -- produce about 50% of our electricity needs. Yet, FERC and ISO-New England force Connecticut consumers to pay for this low cost electricity at the higher natural gas power plant rate -- distinguishing our system from the rest of the nation.

House Bill 5783 simply eliminates the artificial FERC imposed surcharges on our cost of electricity when purchased from Connecticut's coal-fired and nuclear power plants. Our long-suffering consumers deserve nothing less.